



Bureau of Workers' Disability Compensation

1997 Annual Report



**Department of
Consumer & Industry Services**

Serving Michigan...
Serving You

1997 Annual Report

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Bureau of Workers' Disability Compensation

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1. Administration

The mission of the Bureau of Workers' Disability Compensation is to administer the Workers' Disability Compensation Act of 1969, as amended, in order to facilitate timely benefit payments to injured employees at a reasonable cost to employers. To this end we dedicate ourselves to carry out this responsibility and to serve the public promptly, courteously, and impartially.

There are several ongoing projects that not only cross divisions to affect the entire bureau but will positively impact the bureau's ability to provide information in a timely manner. Michigan is planning to implement Electronic Data Interchange (EDI) in the claims and insurance areas. This process will allow carriers and self-insureds to file their forms electronically. We hope to begin programming in early 1999, once all year-2000 issues have been resolved. This project is in conjunction with the International Association of Industrial Accident Boards and Commissions (IAIABC).

The Bureau of Workers' Disability Compensation is also pleased to announce the introduction of an Internet web site. The address is <http://www.cis.state.mi.us/wkrcomp>.

This site contains a variety of information about the bureau, the Board of Magistrates and the Workers' Compensation Appellate Commission, and will be continually updated. Information currently available includes:

- Listing of forms and who uses them
- State Average Weekly Wage and Maximum/Minimum Benefit Amount, 1982 to Present
- Workers' Disability Compensation Administrative Rules
- Order form for Health Care Services Rules
- Board of Magistrates Hearing Site Locations
- Board of Magistrates Administrative Rules
- Selected Workers' Compensation Appellate Commission opinions
- The Rate Calculation Program

Look for the following to be added to the web site in the upcoming year:

- The Workers' Disability Compensation Act
- Past Opinions of the Workers' Compensation Appellate Commission
- Overview of Workers' Compensation/Frequently Asked Questions

2. Claims

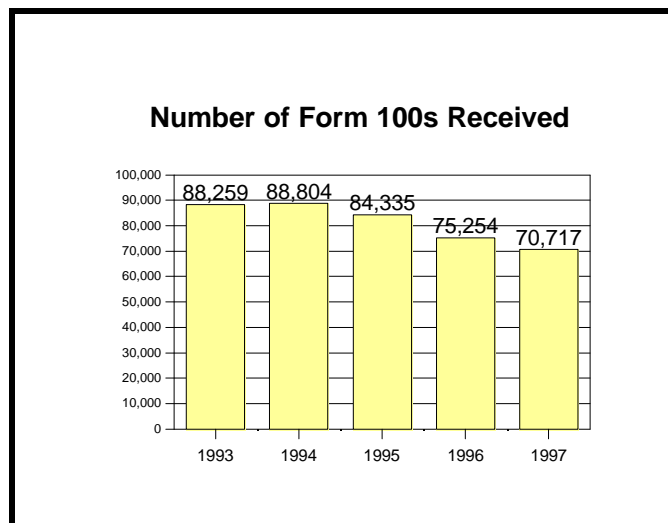
The Claims Processing Division maintains a current and historical claims/case records system. Its objective is to ensure that employees that have suffered work related injuries are provided correct wage loss replacement and that both voluntary claims and litigated cases are processed in a timely manner.

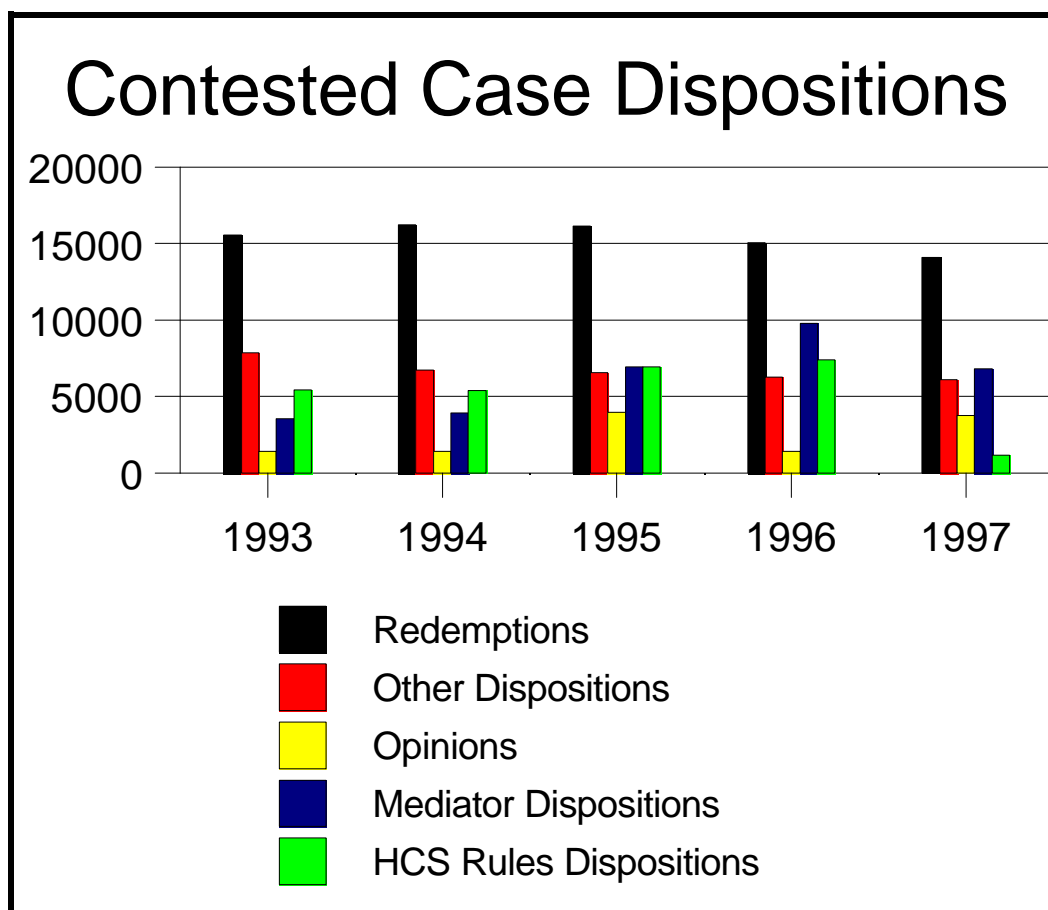
To meet this objective, the division's records are audited by the bureau's automated system, WORCS. Division staff handle all exception audits and work with carriers and self-insured employers in bringing their records in compliance with the Workers' Disability Compensation Act.

In 1997, the division processed 469,710 forms and correspondence relating to claims/case records. As a

result, there were 70,717 Employer's Basic Report of Injury forms filed and 22,293 new contested cases established. The Division was able to close 38,047 cases.

The Compensation Supplement Fund Section within the Claims Processing Division provides supplemental benefits to employees whose weekly compensation benefits were based on personal injury dates between September 1, 1965 and December 31, 1979. In 1997, 5,757 claims fell within the provisions of this fund. From January 1, 1997 through December 31, 1997, the Compensation Supplement Fund disbursed \$1,566,452.42 in payments and provided \$9,485,172.89 in Single Business Tax Credits.





Year	Redemptions	Other Dispositions	Opinions	Mediator Dispositions	Health Care Services Rules Dispositions
1993	15,542	7,857	1,394	3,544	5,446
1994	16,208	6,746	1,380	3,923	5,376
1995	16,146	6,552	1,415	3,971	6,935
1996	15,070	6,299	1,363	3,686	7,405
1997	14,085	6,093	1,172	3,757	6,825

3. Mediation

Since 1987, the bureau has had a Mediation Division which handles a variety of situations. Mediation provides a neutral forum for effective dispute resolutions. We believe that more cases could be resolved without formal disputes if the parties would contact a mediator at the bureau field offices. These individuals are available to answer questions and try to assist workers and employers in resolving problems without the necessity of going through the formal litigation process. The location and phone numbers of bureau offices are listed on the following page.

Formal mediations are those in which an application for hearing has been filed and a case is referred to a mediator in an attempt to resolve the case before a trial is scheduled with a magistrate. In 1997 the bureau held **8,015** *formal* mediation hearings and resolved **47%**.

Informal mediations are those where the parties ask for a mediation conference to resolve the case without the need for a formal

application for hearing. In 1997 the bureau held **419** informal mediation hearings and resolved **83%**.

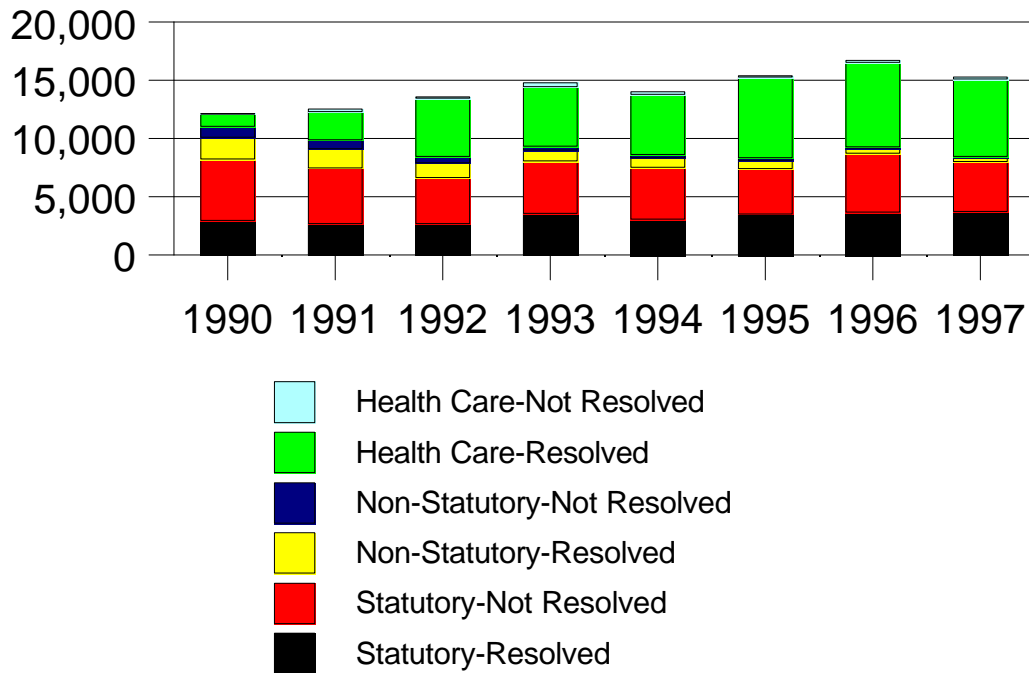
In addition, mediators heard **6,825** cases involving health care services rules in 1997 and resolved **98%**. The total number of formal, informal and health care services rules hearings were **15,259** and **71%** were resolved.

Disputes concerning vocational rehabilitation are referred first to mediators. **531** applications for hearing on vocational rehabilitation issues were set before the mediators. Of these they wrote orders or memorandums on **409** vocational rehabilitation cases and resolved **122** to magistrates for redemption.

The Mediation Division held hearings on **617** files referred by magistrates. The division received and made over **91,037** phone calls related to workers' compensation problems and assisted **926** people who walked into our bureau offices with problems concerning workers' compensation.

Mediation

(This chart does not include VR & Magistrate Referral Hearings)



Offices which have mediators available to answer questions regarding workers' compensation:

Location	Address	Mediator
Detroit	State of MI Plaza Building 1200 Sixth Street, 12th Floor 48226	(313) 256-2770
Escanaba	State Office Building 305 Ludington 49829	(906) 786-2081
Flint	Bristol West Center G-1388 W. Bristol Road 48507	(810) 760-2618
Grand Rapids	2942 Fuller Street NE 49505-3488	(616) 447-2670
Kalamazoo	Davenport Building 4203 W. Main 49009	(616) 337-3630
Lansing	2501 Woodlake Circle, Okemos P O Box 30016 48909	(517) 241-9393
Mt. Clemens	10th Floor Old County Bldg. 10 N. Main , 10th Fl. 48043	(810) 463-6577
Pontiac	28 N. Saginaw Suite 1310 48342	(248) 334-2497
Saginaw	State Office Building 411-K E. Genesee 48607	(517) 758-1768

4. Vocational Rehabilitation

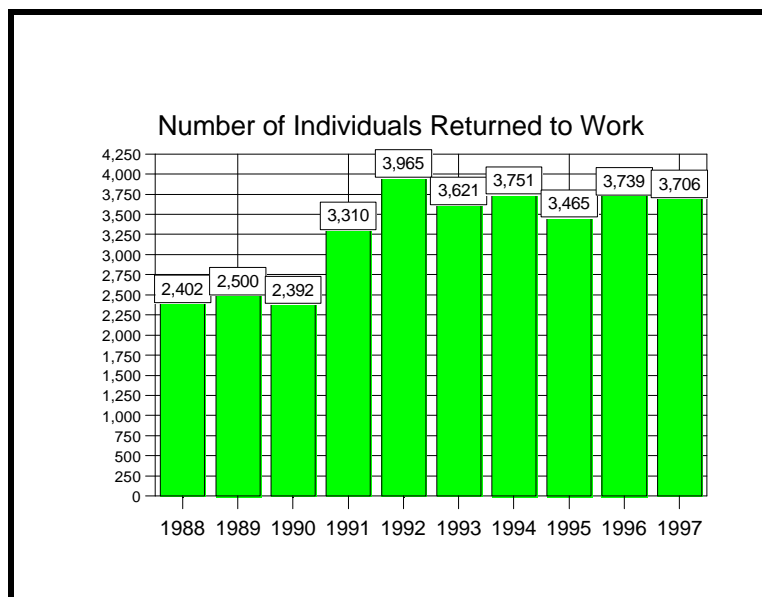
The bureau monitors vocational rehabilitation efforts in workers' compensation. The Vocational Rehabilitation Division stimulates referrals when needed, and responds to numerous requests for information and assistance. In 1997 a total of **3,706** injured workers were assisted back to work with rehabilitation. Earlier referral for rehabilitation and greater flexibility of employers in arranging light duty programs can further enhance rehabilitation success.

Research on vocational rehabilitation has demonstrated several important findings:

- # Intervention time is critical. The chances of success for vocational rehabilitation increases dramatically if the process begins early;

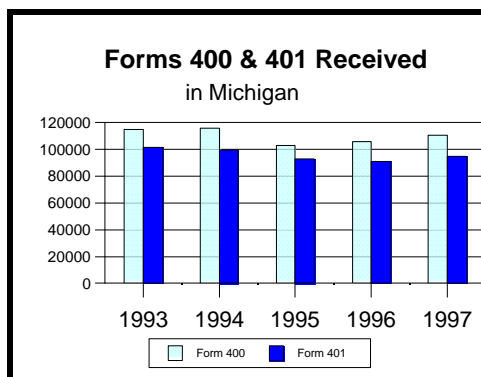
- # The most successful course for vocational rehabilitation is a return to work with the same employer;
- # The costs of vocational rehabilitation are relatively small when compared with the costs of disability benefits that are saved when the employee returns to work.

Employers who invest in rehabilitation and disability management programs have found that they can help their employees while saving money at the same time. The injured workers are able to return to work and earn a wage. The employers are able to reduce their compensable loss exposure, improve employee relations, and increase productivity. The following chart summarizes injured worker rehabilitation activity in Michigan during the past 10 years.

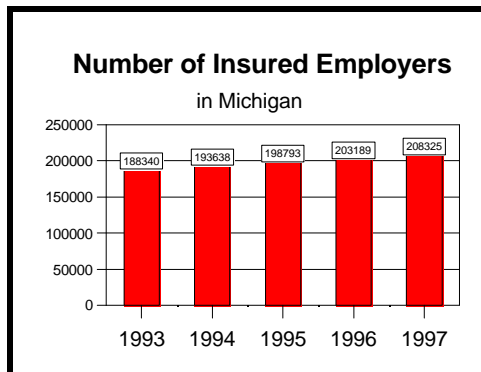


5. Compliance & Employer Records

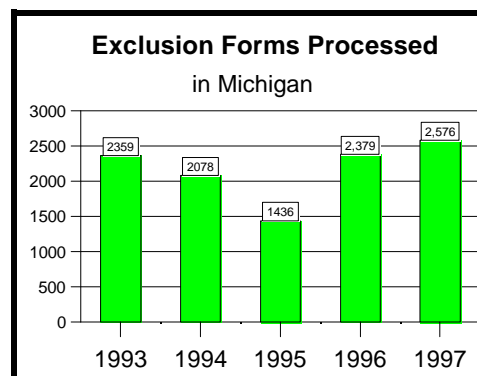
The mission of the Compliance and Employer Records Division is to ensure that all employers subject to the Michigan Workers' Disability Compensation Act have complied with the requirements by securing workers' compensation coverage either through a policy of insurance or through approved self-insurance.



The division maintains the current and historical record system for over 200,000 employers. This includes coverage records on self-insurers, employers with insurance, and employers who have excluded themselves from the act. In addition, this division has the responsibility to enforce employers' compliance with insurance requirements of the statute.

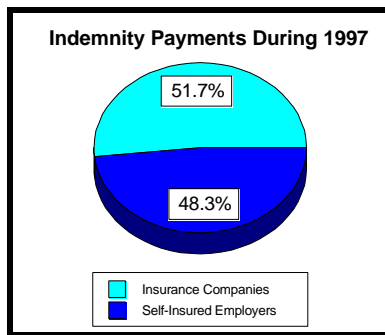


Since 1983 workers' compensation insurance premiums in Michigan have been set in the marketplace. This means that different companies charge different premiums. Research done by the Insurance Commissioner suggests that some employers should "shop around" for the best deal on insurance. All workers' compensation insurance policies provide the same coverage. However, some cost more than others and some companies provide more services than others. Employers should shop for the best price and the most service from their workers' compensation insurance company. Proof that competitive workers' compensation insurance in Michigan is successful is the fact that only **6%** of the workers' compensation premium in Michigan is written in the assigned risk pool compared to 13% nationally.



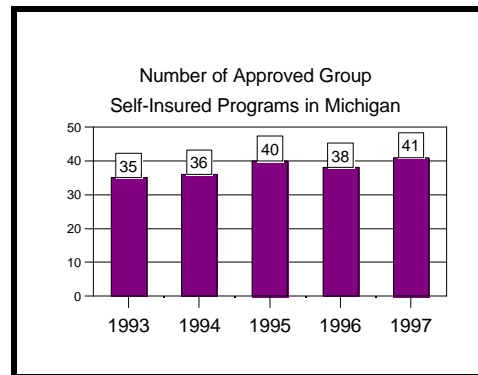
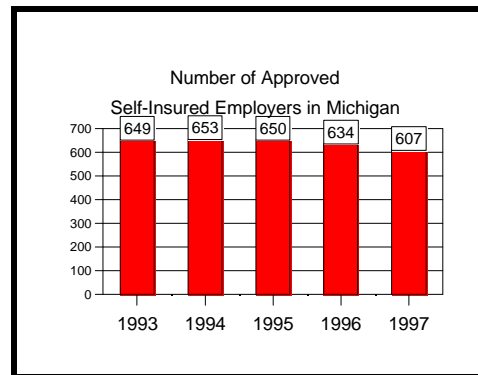
6. Self-Insured Programs

The Workers' Disability Compensation Act permits employers to request authority to self-insure and assume responsibility for direct payment of benefits to injured workers. The Act also permits providers of claims adjusting, underwriting and loss control services to apply and be approved by the bureau to provide these services to approved self-insurers.



Two types of self-insured status are permitted in the Act. Individual employers can be approved as self-insured or two or more employers in the same industry can apply for group self-insured status. The Self-Insured Programs Division reviews applications submitted and makes recommendations to the Director and

carries out the functions delegated by the Director. Statutory requirements, administrative rules and bureau policy require annual renewal applications and various monitoring and approval tasks throughout the year.



7. Health Care Services

The Health Care Services Division is responsible for carrying out the mandate of Section 418.315 of the Workers' Disability Compensation Act of 1969, as amended, which resulted in the enactment of the Workers' Compensation Health Care Services Rules.

The rules establish reimbursement methodologies for health care providers, require a carrier to have a certified professional review program, provide access to the workers' compensation hearing process, require the collection of data, and call for training seminars.

During 1997, the breakdown of health care cases is as follows:

66%	Medical Only
31%	.	Wage Loss with No Inpatient
3%	Inpatient Only

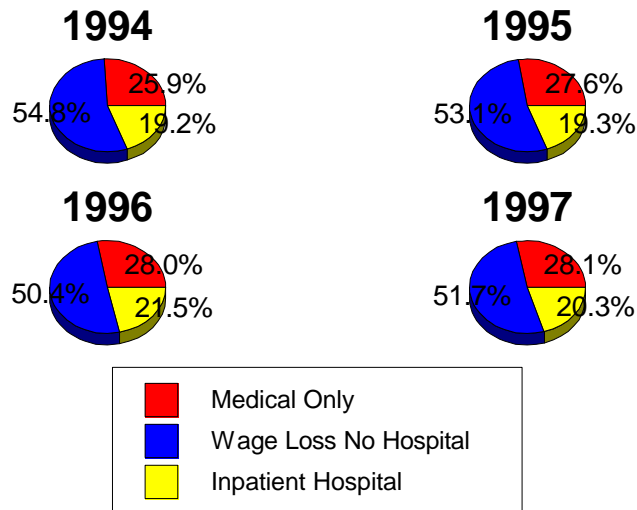
During 1997, 28% of the health care dollars were spent on medical-only cases; 52% of the dollars on wage loss with no inpatient cases; and 20% of the dollars were spent on inpatient cases. Carriers report that 2% of the dollars paid out were for contractual agreements.

These data in aggregate reflect the following:

- ▶ In 1997 the number of reported cases decreased by 10%.
- ▶ Reported health care costs decreased by 6% from 1996.
- ▶ The reported number of workers receiving health care was at a 7-year low.
- ▶ The amount of reported health care expenditures was at a 3-year low.

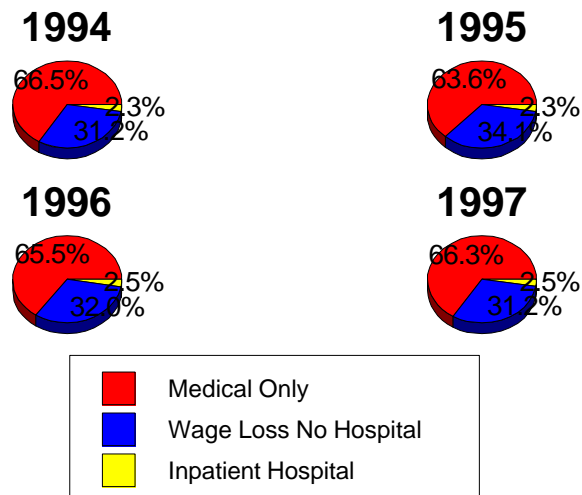
WC Health Care Costs

Amount Paid



WC Health Care Costs

Number of Cases



**Final Comparison:
Worker's Compensation Health Care Costs
January 1993—December 1997**

Type of Case	Jan-June 1993*	July-Dec 1993	Jan-June 1994	July-Dec 1994	Jan-June 1995	July-Dec 1995**	Jan-June 1996	July-Dec 1996***	Jan-June 1997	July-Dec 1997****
Medical Only										
Number of Cases	180,442	177,730	177,247	169,473	183,686	165,636	182,129	167,663	170,334	151,482
Amount Paid	\$48,359,555	\$51,704,898	\$50,237,902	\$51,157,505	\$56,011,236	\$50,353,396	\$57,385,626	\$57,059,988	\$56,105,049	\$51,504,791
Cost/Case	\$268	\$291	\$283	\$302	\$305	\$304	\$315	\$340	\$329	\$340
Wage Loss No Hospital										
Number of Cases	79,446	76,814	85,819	77,015	100,305	87,247	101,732	68,981	80,094	66,671
Amount Paid	\$101,256,990	\$100,683,109	\$108,263,596	\$106,122,002	\$108,606,393	\$95,904,847	\$106,949,403	\$98,851,012	\$102,789,092	\$95,194,855
Cost/Case	\$1,275	\$1,311	\$1,262	\$1,378	\$1,083	\$1,099	\$1,051	\$1,433	\$1,283	\$1,428
Inpatient Hospital										
Number of Cases	7,506	6,235	6,357	5,539	7,215	5,568	7,478	5,914	6,554	5,536
Amount Paid	\$38,346,113	\$33,713,565	\$37,480,042	\$37,786,671	\$41,610,912	\$32,875,338	\$48,561,968	\$39,321,041	\$41,642,830	\$35,995,069
Cost/Case	\$5,109	\$5,407	\$5,896	\$6,822	\$5,767	\$5,904	\$6,494	\$6,649	\$5,354	\$6,502
TOTAL										
Number of Cases	267,394	260,779	269,423	252,027	281,206	258,450	291,339	242,557	256,981	223,689
Amount Paid	\$187,962,678	\$186,101,573	\$195,981,540	\$195,066,178	\$206,228,542	\$179,133,581	\$212,896,998	\$195,232,041	\$200,536,972	\$182,694,714
Cost-Case	\$703	\$714	\$727	\$774	\$708	\$693	\$731	\$805	\$780	\$817

* New hospital ratio

** New hospital ratio and E&M increase

*** New hospital ratio and RBRVS implementation

**** New practitioner fees became effective on September 1, 1997

8. Funds Administration

The Funds Administration, consisting of the Second Injury Fund; Silicosis, Dust Disease and Logging Industry Compensation Fund; Self-Insurers' Security Fund; and the Uninsured Employers' Security Fund, is managed by a board of three trustees. Two trustees are appointed by the Governor with the advice and consent of the Senate. One represents employers authorized to act as self-insurers in Michigan and the second represents the insurance industry. The third trustee is the director of the Bureau of Workers' Disability Compensation. The current Funds Administration trustees are Richard F. Zapala, Assistant General Counsel for the Legal Department of the Accident Fund Company, representing the insurance industry; Eleanor Powell, Administrator for the Michigan Construction Industry Self-Insurers' Fund, representing self-insurers in Michigan; and Jack Wheatley, Director of the Bureau of Workers' Disability Compensation.

Responsibilities of the Funds Administration are defined within the Workers' Disability Compensation Act. Applicable sections of the Act are Sections 351, 356(1), 361(3), 372, and 862. Applicable chapters of the Act are Chapters 5 and 9.

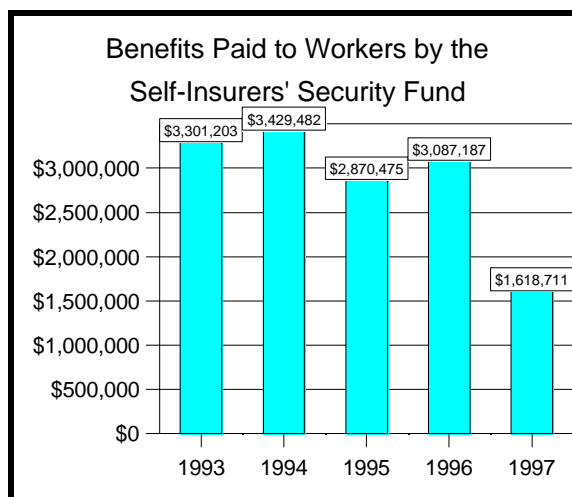
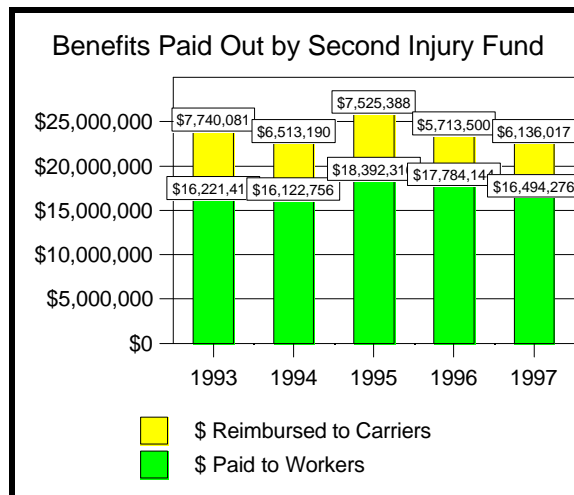
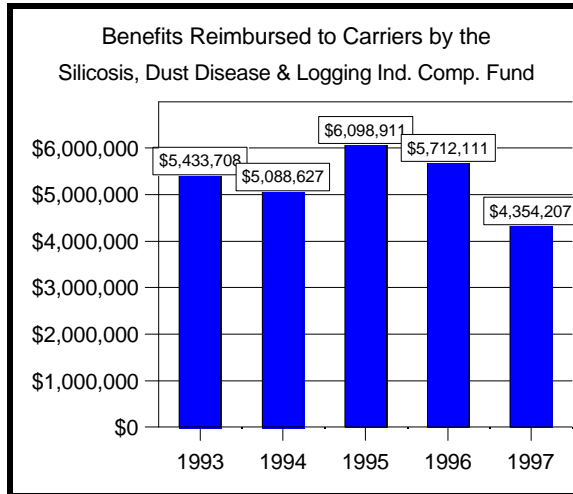
The Uninsured Employers' Security Fund was activated with the passage of Senate Bill 570, Public Act 357 effective July 1, 1996. The fund has \$22,156,619.03 to distribute to injured workers with dates of injury from June 29, 1990 through June 30, 1996. All claims must be resolved before June 1, 2000, when the fund is abolished. There are 1,838 claims to be resolved.

The Funds Administration handled approximately 5,665 cases during 1997; 1,909 were in litigation; 3,121 were direct payment or reimbursement cases; and 635 cases being worked on by staff were not in payment/reimbursement or litigation status. In addition, 1,733 cases involving the Uninsured Employers' Security Fund were assigned to staff during the year. At the close of the calendar year, the Funds had 4,723 open files.

The total expenses for the Funds Administration during 1997 were \$35,632,030. Benefit payments were \$29,945,452, and administrative costs equaled \$5,686,578.

Complete fiscal and calendar year accounting may be obtained from the Funds Administration office.

1997 Assessments	
Second Injury Fund	\$23,281,692
Silicosis, Dust Disease and Logging Industry Compensation Fund	\$5,404,436
Self-Insurers' Security Fund	\$1,520,668



9. Board of Magistrates

The Board of Magistrates consists of thirty magistrates that are appointed by the Governor and confirmed by the Senate. Each magistrate must be a licensed attorney in this state, and either pass an exam or have five years of experience in workers' compensation. A magistrate cannot be reappointed after serving a total of 12 years.

Magistrates decide cases at the trial level of the contested process of the workers' compensation system. All resolutions require a formal written order, or opinion with findings of fact and conclusions of law.

During 1997, the pending case load of the agency continued to decline by 559 cases. This was the fifth consecutive year that the pending case load declined. Over the past five years, the magistrates have consistently disposed of more cases than new cases received.

The agency went on the world wide web this past year. The Internet address is

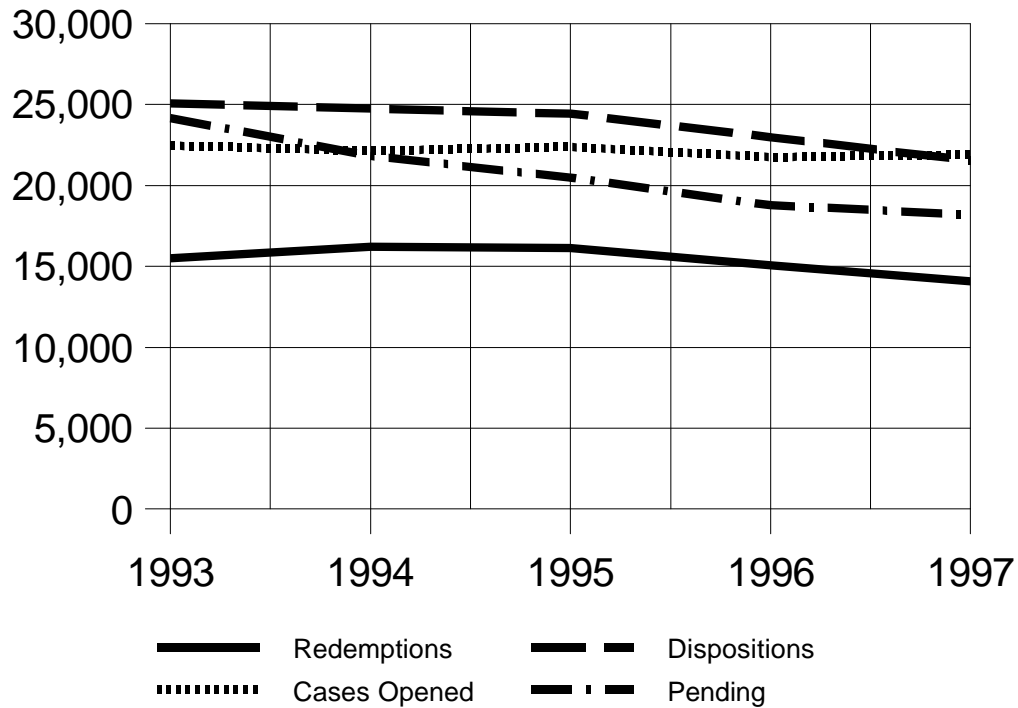
www.cis.state.mi.us/wkrcomp/bmag/.

The agency rules and office locations along with telephone numbers are just a few items of information that can be obtained from the web page. Regular updates and new information will continue to be added over the next year.

During 1997, the Board of Magistrates moved to new locations in Lansing and Grand Rapids. The new location for the Lansing office is 2501 Woodlake Circle in Okemos. The new Grand Rapids location is 2942 Fuller Avenue located near the I-96 and Plainfield exit.

It is the continued goal of the agency to provide prompt and fair resolutions of all cases. If you have any concerns or questions regarding this information, or would like more information, please contact Craig Petersen at 517.241.9387.

WC Board of Magistrates Production Statistics



	1993	1994	1995	1996	1997
Redemptions	15,542	16,211	16,146	15,070	14,085
Dispositions	25,111	24,791	24,445	23,001	21,586
Cases Opened	22,496	22,175	22,393	21,777	21,900
Pending	24,162	21,867	20,489	18,782	18,223

10. Workers' Compensation Appellate Commission

The administrative process for the adjudication of workers' disability compensation claims in Michigan is divided between the Bureau of Workers' Disability Compensation, the Board of Magistrates (hearing level), and the Workers' Compensation Appellate Commission (appellate level). By statute, these agencies function independently within the Department of Consumer and Industry Services.

Established in 1987 through Public Act 103, the Appellate Commission was created as a remedial measure to reduce or eliminate delays in the appellate process. Seven attorneys, appointed by the governor to each serve 4-year terms as commissioners, constitute the commission. One commissioner is designated as chairperson and has general supervisory control over staff and operations. Ten classified employees provide administrative support for the commissioners.

After a decision and order has been made (by a magistrate with the Board of Magistrates or the director of the Bureau of Workers' Disability Compensation) regarding a claim for disability benefits, vocational rehabilitation, or a redemption agreement, any party disagreeing with the written order has 30 days from the mailed date (15 days from the mailed date of a redemption order) to file an appeal with the commission.

Overall, an appeal takes approximately eight (8) months to perfect.

Transcripts, in most cases, are to be filed within 60 days of the filing date of an appeal. The appellant's (appealing party) brief is to be filed within thirty days after the transcript has been filed. The appellee's brief is due within 30 days thereafter. However, each party may request, and are usually allowed, one 60-day extension to file their brief. After these required filings have been received, an appeal is considered "perfected."

Perfected appeals are then taken under active review, with the commission focusing on only those issues raised by the appealing party or parties. Written opinions are published that provide qualitative and quantitative analyses of the evidence presented to support the magistrate's findings of fact, and/or whether the conclusions of law need to be corrected or clarified.

Any party in disagreement with the commission's findings has 30 days from the mailed date, stamped on the opinion, to request that the record be certified to the Court of Appeals. The request must be made in writing and submitted to the commission along with the \$50 filing fee. Upon expiration of the 30-day appellate window, the commission's opinion is final and binding on all parties.

During 1997, the commission:

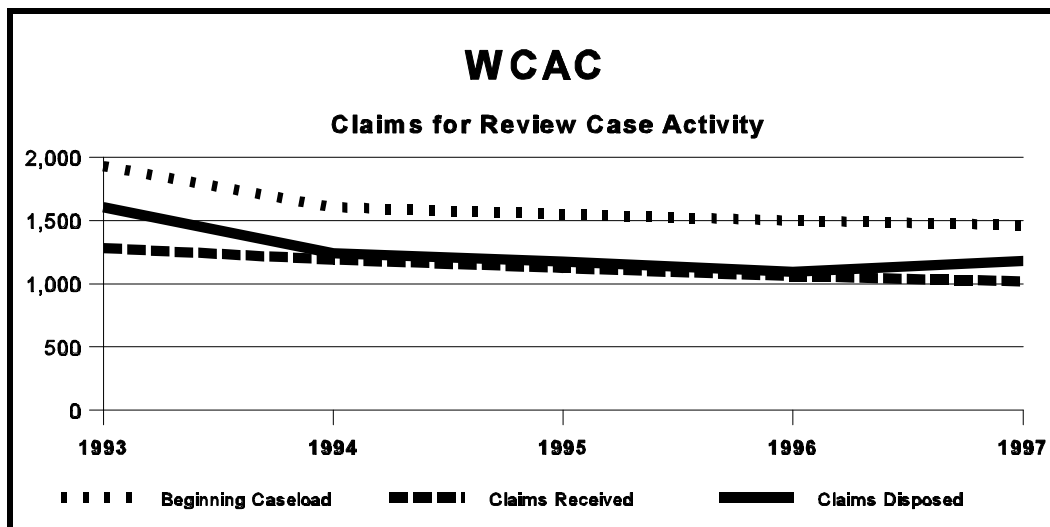
- Published its web page:
www.cis.state.mi.us/wkrcomp/wcac;
the commission's opinions and orders, together with other information, are now available on-line.

- Realized a steady reduction, from 1,468 on January 1 to 1,254 on December 3, in the number of pending claims;
- Received 870 new appeals;
- Received 77 other cases that included remands from the Court of Appeals or Supreme Court, and cases seeking reinstatement or reconsideration;
- Issued a record 719 opinions on the merits that resolved claims, in spite of operating with a reduced staff; and
- Closed an additional 458 claims through the issuance of dispositive motion orders and/or administrative letters.

Of the 719 commission opinions published during 1997, 538 affirmed, 32 reversed, 39 remanded, and 110 were resolved through miscellaneous opinions.

During 1998, the commission's goals are to:

- # Lower backlog to under 1,000 cases, issue orders on motions within two weeks of receipt;
- # Generate at least 750 opinions on the merits;
- # Work toward a 12-month turnaround in resolution of cases;
- # Continue to produce quality opinions that meet or exceed the requirements set forth in MCL 418.861a;
- # Ensure just and timely resolution of all cases under its jurisdiction;
- # Increase the number of cases resolved by meeting or exceeding productivity standards;
- # Continuously develop and update its web page; and
- # Continue to provide quality service.



	1993	1994	1995	1996	1997
Beginning Caseload	1,931	1,607	1,552	1,501	1,463
Claims Received	1,283	1,188	1,124	1,057	1,018
Claims Disposed	1,607	1,243	1,175	1,095	1,179

Michigan Department of Consumer & Industry Services

Workers' Compensation Appellate Commission

Five-Year Historical Overview Productivity Data

W C A C / W C A B ¹ Caseload Activity	1993	1994	1995	1996	1997
Caseload at Beginning of Period	1,931	1,607	1,552	1,501	1,463
Decisions Appealed to the Commission	1,118	1,035	1,024	935	870
Appeal Board Cases	68	36	16	13	10
Court of Appeals/Supreme Court Remands	86	104	70	79	57
Reconsidered or Reinstated for Other Reasons	11	13	14	30	81
Total Cases Remanded/Reinstated	165	153	100	122	148
Case Resolution Action (Methods)					
Decisions-Order Issued on W C A C Cases	636	663	566	605	710
Decisions-Orders Issued on W C A B Cases	22	38	44	20	9
Orders/Withdrawals/Admin Letters - W C A B	50	35	22	1	7
Orders or Sua Sponte Dismissals - W C A C	467	289	283	191	206
W C A C Redemption Settlements	265	147	178	183	178
Admin Letters/Withdrawals (Post-93 only)	122	71	82	95	69
To Appeal Board's Jurisdiction (Pre-93 only)	45	N/A	N/A	N/A	N/A
Total Cases Resolved/Closed	1,607	1,243	1,175	1,095	1,179
Non-Dispositive Casework Productivity:					
Caseload at End of Period	1,607	1,552	1,501	1,463	1,302
Backlog at End of Period ²	639	673	485	962	835

¹ Caseload counts for the Appellate Commission and the Appeal Board have been combined for statistical purposes, though there is a difference between the methods of review. Appeal Board cases required *de novo* (a new) review. Appellate Commission cases require review searching for a lesser standard of evidence than that required for *de novo* review. Commissioners may review only those issues that have been reviewed and decided at the lower level (Board of Magistrates or Bureau of Workers' Disability Compensation).

² Includes those cases complete with all required filings (transcripts and briefs) before active review can be or is conducted.

Some year-end figures adjusted to reflect docket numbers not counted at time of original compilation of statistical data.